

November 23, 1999

Dear General Assembly Member:

REVENUE STABILIZATION FUND

This Office is providing a report of the required calculations for the Revenue Stabilization Fund.

BACKGROUND

Article X, Section 8 of the Virginia Constitution and the enabling legislation, requires this Office to report to the General Assembly by December 1, the following:

1. Certify tax revenues for the calculation of the Revenue Stabilization Fund,
2. The maximum size allowed of the Revenue Stabilization Fund, and
3. The amount of the mandatory deposit to the fund.

The attached exhibit provides the certified tax revenues for the past seven years, percentage of revenue growth for each year, and the average percentage of revenue growth for the preceding six years. The exhibit shows the calculation for the maximum size of the Revenue Stabilization Fund and the funding progress to date.

CALCULATION OF MANDATORY DEPOSIT REQUIREMENTS

Certified tax revenues grew by 10.26 percent between fiscal years 1998 and 1999, and the average revenue growth for the preceding six years was 7.85 percent. Under provisions of the Revenue Stabilization Fund, the comparison of last year's revenue growth and the average growth is an increase of 2.41 percent. Therefore, the General Assembly will need to make a mandatory deposit to the fund of \$103,345,741 during the fiscal year ended June 30, 2001.

Should you have any questions concerning this information, please contact me.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom
Enclosure

**CALCULATIONS FOR THE REVENUE STABILIZATIONS FUND
(IN THOUSANDS)**

Years	Tax Revenue Required for Computation				Average Annual Percentage Increase	Preceding Six Year Annual Average
	Individual and Fiduciary Income Taxes	Corporate Income Tax	State Sales and Use Taxes	Totals		
1993	\$3,585,420	\$371,452	\$1,441,569	\$5,398,441	9.12%	6.16%
1994	3,812,254	312,149	1,539,097	5,663,500	4.91%	5.80%
1995	4,027,337	376,356	1,657,699	6,061,392	7.03%	4.83%
1996	4,301,349	402,337	1,721,964	6,425,650	6.01%	4.19%
1997	4,728,088	432,298	1,826,761	6,987,147	8.74%	5.19%
1998	5,405,850	450,780	1,919,216	7,775,846	11.29%	6.29%
1999	6,087,888	420,421	2,065,265	8,573,574	10.26%	7.85%

**REQUIRED COMPUTATION OF MAXIMUM ALLOWED REVENUE
STABILIZATION FUND**

<u>Years</u>	<u>Amounts (In Thousands)</u>
1997	\$6,987,147
1998	7,775,846
1999	8,573,574
 Average for Three Years	 \$7,778,856
 Maximum Fund Allowed (10% of Average)	 \$ 777,886

SCHEDULE OF FUNDING PROGRESS

	<u>Amounts (In Thousands)</u>
Total deposits to date	\$328,669
Interest earned through June 30, 1999	<u>32,803</u>
Subtotal	361,472
 Required future deposits:	
June 2000	194,136
June 2001	<u>103,346</u>
 Total committed to date	 \$658,954
 Percentage of Maximum Fund	 85%